

**EXHIBIT 11 – PART 3 OF 8**

The 90% owned Valco smelter in Ghana, West Africa, is assured of hydroelectric power sufficient to support at least an 80% operating rate through 2001 and expects sufficient power to operate at a minimum of 70% in 2002.



**Addressing Key Issues**

We enter 2001 feeling good about our accomplishments but mindful of the issues still to be resolved.

- Aluminum smelters in the Pacific Northwest are likely to face the daunting prospect of reduced operating rates and higher power prices. We will continue to work with the Bonneville Power Administration and other constituents on fair, reasonable, and creative solutions to this issue. While we intend to help offset the impact of the Northwest smelter curtailment with proceeds from power sales, the long-term regional picture is unclear.
- We must use cash resources and selectively sell certain assets to help address the near-term debt maturities of our Credit Agreement and our 9-7/8% senior notes.
- We must complete the Gramercy rebuild within the revised capital budget and favorably resolve open issues with our insurers
- We intend to continue our aggressive management of asbestos claims. Kaiser has significant insurance coverage to offset a substantial portion of these claims and, as a result, we believe the cash flow impact is manageable.
- We will continue our vigorous defense against charges of unfair labor practices in a trial being conducted by the National Labor Relations Board. We believe there is absolutely no merit to the charges

**Looking Ahead**

Operationally, we face the prospect of a slowing U.S. economy in 2001, weakened demand for a number of our products, as well as higher energy prices. Despite these and other challenges, I am optimistic that the company can continue to make progress and strengthen itself for the future. In particular, our excellent management team has demonstrated a unique talent for creatively tapping the full potential of our asset base and resolving issues with an entrepreneurial flair that I believe is unusual in a large industrial company. With a constancy of purpose, we will continue to move forward rapidly to renew the company.



Raymond J. Milchovich

President and Chief Executive Officer

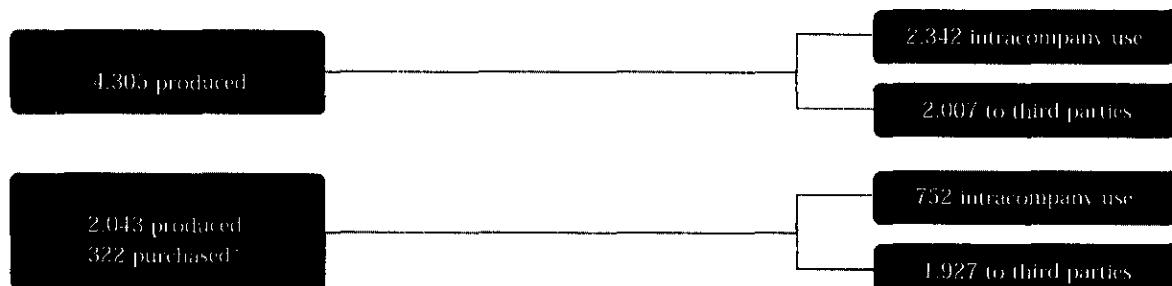
April 2, 2001



**2000 OPERATIONS AT A GLANCE**

Listed below are major facilities and figures relating to 2000 production, internal use, and customer shipments. Facilities are 100% owned unless otherwise specified. Production shown includes Kaiser's portion of production from partially owned facilities. Customer shipments and intracompany use may not add to production total due to the impact of purchases, inventory changes, and metal swaps. Figures are in thousands of metric tonnes.

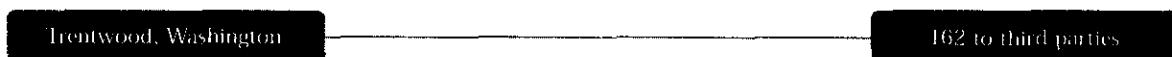
**Alumina/Bauxite:** four facilities: Gramercy, Louisiana; Alumina Partners of Jamaica (Alpart, 65%); Kaiser Jamaica Bauxite Company (KJBC, 49%); Queensland Alumina Limited, Australia (QAL, 28.3%)



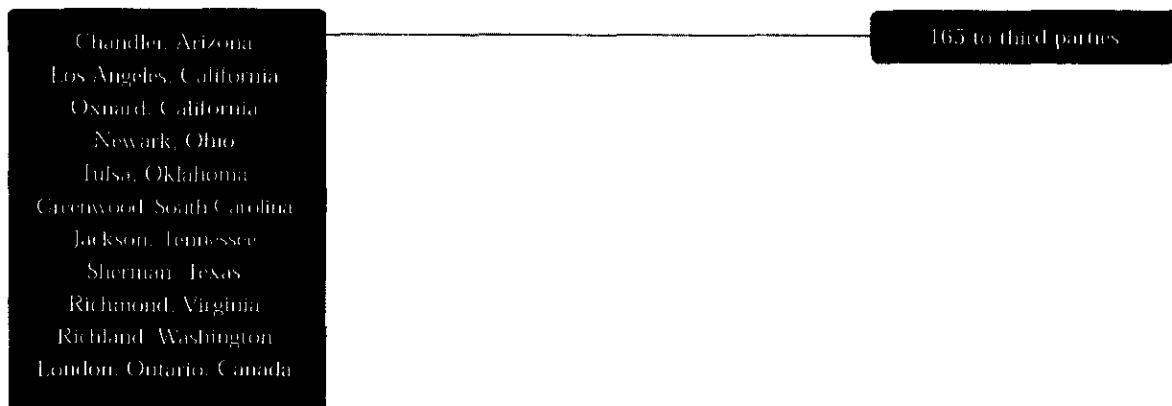
**Primary Aluminum:** four smelters: Mead and Tacoma, Washington; Anglesey Aluminium Limited, Wales (49%); Volta Aluminium Company Limited, Ghana (Valco, 90%).



**Flat-Rolled Products:** one facility



**Engineered Products:** 11 major facilities



\*Although the company does not typically purchase significant amounts of alumina from third parties, it elected to do so in 2000 because the Gramercy refinery did not operate from January 1, 2000 through mid December 2000, as described elsewhere in this report

## KAISER ALUMINUM CORPORATION AND SUBSIDIARY COMPANIES

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Kaiser Aluminum Corporation ("Kaiser" or the "Company"), through its wholly owned subsidiary, Kaiser Aluminum & Chemical Corporation ("KACC"), operates in the following business segments: Bauxite and alumina, Primary aluminum, Flat-rolled products, Engineered products and Commodities marketing. The Company uses a portion of its bauxite, alumina, and primary aluminum production for additional processing at certain of its downstream facilities. Intersegment transfers are valued at estimated market prices. The table below provides selected operational and financial information on a consolidated basis with respect to the Company for the years ended December 31, 2000, 1999 and 1998. The following data should be read in conjunction with the Company's consolidated financial statements and the notes thereto, contained elsewhere herein. See Note 14 of Notes to Consolidated Financial Statements for further information regarding segments. (All references to tons refer to metric tons of 2,204.6 pounds.)

| (In millions of dollars, except shipments and prices)      | Year Ended December 31, |            |            |
|--|-------------------------|------------|------------|
|  | 2000                    | 1999       | 1998       |
| <b>Shipments: (000 tons)</b>                               |                         |            |            |
| Alumina <sup>(1)</sup>                                     |                         |            |            |
| Third Party  | 1,927.1                 | 2,093.9    | 2,250.0    |
| Intersegment   | 751.9                   | 757.3      | 750.7      |
| Total Alumina  | 2,679.0                 | 2,851.2    | 3,000.7    |
| Primary Aluminum <sup>(2)</sup>                            |                         |            |            |
| Third Party  | 345.5                   | 295.6      | 263.2      |
| Intersegment   | 148.9                   | 171.2      | 162.8      |
| Total Primary Aluminum                                     | 494.4                   | 466.8      | 426.0      |
| Flat-Rolled Products                                       | 162.3                   | 217.9      | 235.6      |
| Engineered Products  | 164.6                   | 171.1      | 169.4      |
| Average Realized Third Party Sales Price <sup>(3)(4)</sup> |                         |            |            |
| Alumina (per ton)  | \$ 209                  | \$ 176     | \$ 184     |
| Primary Aluminum (per pound)                               | \$ 74                   | \$ .66     | \$ .67     |
| Net Sales <sup>(3)</sup>                                   |                         |            |            |
| Bauxite and Alumina <sup>(1)(4)</sup>                      |                         |            |            |
| Third Party (includes net sales of bauxite)                | \$ 442.2                | \$ 395.8   | \$ 445.2   |
| Intersegment   | 148.3                   | 129.0      | 135.8      |
| Total Bauxite & Alumina                                    | 590.5                   | 524.8      | 581.0      |
| Primary Aluminum <sup>(2)(4)</sup>                         |                         |            |            |
| Third Party  | 563.7                   | 432.9      | 390.7      |
| Intersegment   | 242.3                   | 240.6      | 233.5      |
| Total Primary Aluminum                                     | 806.0                   | 673.5      | 624.2      |
| Flat-Rolled Products                                       | 521.0                   | 591.3      | 732.7      |
| Engineered Products  | 564.9                   | 556.8      | 595.3      |
| Commodities Marketing <sup>(4)</sup>                       | (25.4)                  | 18.3       | 60.5       |
| Minority Interests   | 103.4                   | 88.5       | 78.0       |
| Eliminations   | (390.6)                 | (369.6)    | (369.3)    |
| Total Net Sales  | \$ 2,169.8              | \$ 2,083.6 | \$ 2,302.4 |

| (In millions of dollars, except shipments and prices) | Year Ended December 31, |                  |                |
|---|-------------------------|------------------|----------------|
|   | 2000                    | 1999             | 1998           |
| <b>Operating Income (Loss):<sup>(7)(8)</sup></b>      |                         |                  |                |
| Bauxite & Alumina <sup>(4)(5)</sup>                   | \$ 57.2                 | \$ (10.5)        | \$ 5.5         |
| Primary Aluminum <sup>(4)(6)</sup>                    | 100.1                   | (4.8)            | 28.3           |
| Flat-Rolled Products                                  | 16.6                    | 17.1             | 86.8           |
| Engineered Products                                   | 34.1                    | 38.6             | 51.5           |
| Commodities Marketing <sup>(4)</sup>                  | (48.7)                  | 21.3             | 98.1           |
| Micromill   | (.6)                    | (11.6)           | (18.4)         |
| Eliminations  | .1                      | 6.9              | 8.9            |
| Corporate and Other                                   | (61.4)                  | (61.8)           | (65.1)         |
| Labor Settlement Charge                               | (38.5)                  | -                | -              |
| Other Non-Recurring Operating Items, Net              | 80.4                    | (24.1)           | (105.0)        |
| <b>Total Operating Income (Loss)</b>                  | <b>\$ 139.3</b>         | <b>\$ (28.9)</b> | <b>\$ 90.6</b> |
| <b>Net Income (Loss)</b>                              | <b>\$ 16.8</b>          | <b>\$ (54.1)</b> | <b>\$ 6</b>    |
| <b>Capital Expenditures</b>                           | <b>\$ 296.5</b>         | <b>\$ 68.4</b>   | <b>\$ 77.6</b> |

(1) Net sales for 2000 and 1999 included approximately 267,000 tons and 264,000 tons, respectively, of alumina purchased from third parties and resold to certain unaffiliated customers and 55,000 tons and 131,000 tons, respectively, of alumina purchased from third parties and transferred to the Company's primary aluminum business unit.

(2) Net sales for 2000, 1999 and 1998 included approximately 206,500 tons, 260,100 tons and 251,300 tons, respectively, of primary aluminum purchased from third parties to meet third-party and internal commitments.

(3) Net sales for 1999 and 1998 for all segments have been restated to conform to a new accounting requirement which states that freight charges should be included in cost of products sold rather than netted against net sales as was the Company's prior policy. Average realized prices for the Company's Flat-rolled products and Engineered products segments are not presented as such prices are subject to fluctuations due to changes in product mix.

(4) Average realized third-party sales prices, net sales and operating income (loss) for Bauxite and alumina and Primary aluminum segments for 1999 and 1998 have been restated to reflect a change in the Company's segment reporting. The results of KACC's metal hedging activities are now set out separately in the Commodities marketing segment rather than being allocated between the two commodity business units.

(5) Operating income (loss) for 2000 and 1999 included estimated business interruption insurance recoveries totaling \$110.0 and \$41.0, respectively. Additionally, depreciation was suspended for the Gramercy facility for the period from July 1999 to December 2000 as a result of the July 1999 incident. Depreciation expense for the Gramercy facility for the six months ended June 30, 1999, was approximately \$6.0. See Note 2 of Notes to Consolidated Financial Statements for additional information.

(6) Operating income (loss) for the year ended December 31, 1999, included potline preparation and restart costs of \$12.8.

(7) The allocation of the labor settlement charges to the Company's business units for the year ended December 31, 2000 is as follows: Bauxite and Alumina - \$2.1, Primary aluminum - \$15.9, Flat-rolled products - \$18.2 and Engineered products - \$2.3.

(8) See Note 6 of Notes to Consolidated Financial Statements for a detailed summary of the components of non-recurring operating items, net (other than the labor settlement charges) and the business segment to which the items relate.

This section contains statements which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this section (see "Overview" "Results of Operations," "Liquidity and Capital Resources" and "Other Matters"). Such statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "estimates," "will," "should," "plans" or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. Readers are cautioned that any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and that actual results may vary materially from those in the forward-looking statements as a result of various factors. These factors include the effectiveness of management's strategies and decisions, general economic and business conditions, developments in technology, new or modified statutory or regulatory requirements and changing prices and market conditions. No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

#### **Overview**

***Market-related Factors.*** The Company's operating results are sensitive to changes in the prices of alumina, primary aluminum, and fabricated aluminum products, and also depend to a significant degree on the volume and mix of all products sold and on KACC's hedging strategies. Primary aluminum prices have historically been subject to significant cyclical price fluctuations. See Notes 1 and 13 of Notes to Consolidated Financial Statements for a discussion of KACC's hedging activities.

Changes in global, regional, or country-specific economic conditions can have a significant impact on overall demand for aluminum-intensive fabricated products in the transportation, distribution, and packaging markets. Such changes in demand can directly affect the Company's earnings by impacting the overall volume and mix of such products sold. To the extent that these end-use markets weaken, demand can also diminish for what the Company sometimes refers to as the "upstream" products: alumina and primary aluminum.

During 2000, the Average Midwest United States transaction price ("AMT price") per pound of primary aluminum was \$.75 per pound. During 1999, the AMT price declined to a low of approximately \$.57 per pound in February 1999 and then began a steady increase ending 1999 at \$.79 per pound. During 1998, the AMT price experienced a steady decline during the year, beginning the year in the \$.70 to \$.75 range and ending the year in the low \$.60 range. At January 31, 2001, the AMT price was approximately \$.81 per pound.

***Liquidity/Cash Resources.*** KACC has significant near-term debt maturities. KACC's ability to make payments on and refinance its debt depends on its ability to generate cash in the future. In addition to being impacted by power sales and normal operating items, the Company's and KACC's near-term liquidity and cash flows will also be affected by the Gramercy incident, net payments for asbestos-related liabilities and possible proceeds from asset dispositions. See "Liquidity and Capital Resources - *Financing Activities and Liquidity*" for a discussion of these matters.

*Incident at Gramercy Facility* In July 1999, KACC's Gramercy, Louisiana alumina refinery was extensively damaged by an explosion in the digestion area of the plant. Construction on the damaged part of the facility began during the first quarter of 2000. Initial production at the plant commenced during the middle of December 2000. The plant is expected to increase production progressively to approximately 75% of its newly rated estimated annual capacity of 1,250,000 tons by the end of March 2001. At February 28, 2001, the plant was operating at 70% of capacity. Based on current estimates, construction at the facility is expected to be completed during the third quarter of 2001.

Through February 28, 2001, KACC had recorded \$289.3 million of estimated insurance recoveries related to the Gramercy incident and had collected \$262.6 million of such amounts. An additional \$7.0 million is expected in March 2001. The remaining balance of approximately \$20.0 million and any additional amounts possibly due to KACC will likely not be recovered until KACC and the insurers resolve certain outstanding issues. KACC and the insurers are currently negotiating an arbitration agreement as a means of resolving their differences. The Company anticipates that the remaining issues will not be resolved until late 2001 or early 2002. KACC and the Company continue to believe that a minimum of approximately \$290.0 million of insurance recoveries are probable, that additional amounts are owed to KACC by the insurers, and that the likelihood of any refund by KACC of amounts previously received from the insurers is remote.

See Note 2 of Notes to Consolidated Financial Statements for a full discussion regarding the incident at the Gramercy facility.

*Labor Matters.* As previously reported, prior to the settlement of the labor dispute, KACC was operating five of its U.S. facilities with salaried employees and other employees as a result of the September 1998 strike by the United Steelworkers of America ("USWA") and the subsequent "lockout" by KACC in January 1999. The labor dispute was settled in September 2000. In September 2000, the Company recorded a one-time pre-tax labor settlement charge of \$38.5 million to reflect the incremental, non-recurring impacts of the labor settlement, including severance and other contractual obligations for non-returning workers. See Note 5 of Notes to Consolidated Financial Statements for additional discussions on the labor settlement.

Although the USWA dispute has been settled and the workers have returned to the facilities, two allegations of unfair labor practices ("ULPs") in connection with the USWA strike and subsequent lock-out by KACC remain to be settled. The Company believes that the remaining charges made against KACC by the USWA are without merit. See Note 12 of Notes to Consolidated Financial Statements for additional discussion on the ULP charges.

*Strategic Initiatives.* KACC's strategy is to improve its financial results by: increasing the competitiveness of its existing plants, continuing its cost reduction initiatives, adding assets to businesses it expects to grow; pursuing divestitures of its non-core businesses; and strengthening its financial position by divesting of part or all of its interests in certain operating assets.

In addition to working to improve the performance of the Company's existing assets, the Company has devoted significant efforts analyzing its existing asset portfolio. The Company intends to focus its efforts and capital in sectors of the industry that are considered most attractive, and in which the Company believes it is well positioned to capture value. During 2000, KACC sold certain non-operating properties, its Micromill assets and technology and its Pleasanton, California, office complex and purchased the assets of a drawn tube aluminum fabricating operation. The dispositions were part of the Company's initiative to monetize non-strategic or underperforming assets. The acquisition was part of the Company's continued focus on growing its Engineered products operations.

KACC is considering the possible sale of part or all of its interests in certain operating assets. The contemplated transactions are in various stages of development. KACC expects that at least one operating asset will be sold. KACC has multiple transactions under way. It is unlikely, however, that it would consummate all of the transactions under consideration. Further, there can be no assurance as to the likelihood, timing, or terms of such sales. The consummation of any such sales would be dependent upon a number of factors, such as negotiation of definitive documentation, due-diligence investigations, certain lender approvals and/or anti-trust clearances. The Company would expect to use the proceeds from any such sales for debt reduction, capital spending or some combination thereof.

Another area of emphasis has been a continuing focus on managing the Company's legacy liabilities. The Company believes that KACC has insurance coverage available to recover a substantial portion of its asbestos-related costs and is actively pursuing recoveries in this regard. For the period from inception through December 31, 2000 the Company has paid approximately \$220.5 million for asbestos-related settlements and associated defense costs and has received partial insurance reimbursements during this same period totaling \$131.3 million. The timing and amount of future recoveries of asbestos-related claims from insurance carriers remain a major priority of the Company, but will depend on the pace of claims review and processing by such carriers and the resolution of any disputes regarding coverage under the insurance policies.

Additional portfolio analysis and initiatives are continuing.

*Pacific Northwest Power Sales and Operating Level.* In response to the unprecedented high market prices for power in the Pacific Northwest, the Company temporarily curtailed the primary aluminum production at the Tacoma and Mead, Washington, smelters during the second half of 2000 and sold a portion of the power that it had under contract through September 30, 2001. As a result of the curtailments, KACC avoided the need to purchase power on a variable market price basis and will receive cash proceeds sufficient to more than offset the cash impact of the potline curtailments over the period for which the power was sold. KACC has made additional power sales in 2001.

During October 2000, KACC signed a new power contract with the Bonneville Power Administration ("BPA") under which the BPA will provide KACC's operations in the State of Washington with power during the period October 2001 through September 2006. The contract will provide sufficient power to operate KACC's Trentwood facility as well as approximately 40% of the combined capacity of KACC's Mead and Tacoma aluminum smelting operations. Power costs under the new contract are expected to exceed the cost of power under KACC's current BPA contract by between 20% to 60% and, perhaps, by as much as 100% in certain periods. There are other terms of the new BPA contract which are also less favorable than the current BPA contract. KACC does not have any remarketing rights under the new BPA contract.

See Note 7 of Notes to Consolidated Financial Statements for additional information on the power sales and the new BPA contract.

**Results of Operations**

**Summary** The Company reported net income of \$16.8 million, or \$.21 of basic income per common share, for 2000 compared to a net loss of \$54.1 million, or \$.68 of basic loss per common share, for 1999 and net income of \$6 million, or \$.01 of basic income per common share, for 1998. However, results for 2000, 1999 and 1998 included material non-recurring gains and losses as summarized below:

|  | Year Ended December 31, |                |               |
|--|-------------------------|----------------|---------------|
|  | 2000                    | 1999           | 1998          |
| As reported, income (loss) per common share          | \$ .21                  | \$ (68)        | \$ .01        |
| Less material non-recurring (gains) losses:          |                         |                |               |
| Labor settlement charge in 2000:                     |                         |                |               |
| strike-related costs in 1998                         | .30                     | -              | 50            |
| Asbestos-related charges                             | .33                     | .44            | .11           |
| Impairment loss - U.S. smelters in 2000:             |                         |                |               |
| Micromill in 1999 and 1998                           | .25                     | .16            | .38           |
| Net gains from power sales                           | (1.22)                  | -              | -             |
| Operating profit foregone as a result of power sales | .20                     | -              | -             |
| Gains - real estate transactions in 2000,            |                         |                |               |
| AKW L.P. interests in 1999                           | (.30)                   | (.42)          | -             |
| Other non-recurring operating charges                | .21                     | -              | -             |
| Gramercy-related items:                              |                         |                |               |
| Gain on involuntary conversion                       | -                       | (.71)          | -             |
| Incremental maintenance spending                     | .09                     | -              | -             |
| Charge for insurance deductibles                     | -                       | .04            | -             |
| LIFO inventory charge                                | .05                     | -              | -             |
| Mark-to-market (gains) losses                        | (.08)                   | .27            | -             |
|  | <b>\$ .04</b>           | <b>\$ (90)</b> | <b>\$ 100</b> |

Net sales in 2000 totaled \$2,169.8 million compared to \$2,083.6 million in 1999 and \$2,302.4 million in 1998.

**2000 as Compared to 1999**

**Bauxite and Alumina.** Third party net sales of alumina were up 12% in 2000 as compared to 1999 as a 19% increase in third party average realized price was partially offset by an 8% decrease in third party shipments. The increase in average realized price was because the sales prices for alumina under the Company's third-party alumina sales contracts are linked to primary aluminum prices and primary aluminum prices increased year over year. The decrease in year-over-year shipments resulted primarily from differences in the timing of shipments and, to a lesser extent, the net effect of the Gramercy incident, after considering the 267,000 tons of alumina purchased by KACC in 2000 from third parties to fulfill third party sales contracts.

Intersegment net sales for 2000 increased 15% as compared to 1999. The increase was primarily due to a 16% increase in the intersegment average realized price resulting from increases in primary aluminum prices from period to period as intersegment transfers are made on the basis of primary aluminum market prices on a lagged basis of one month. Intersegment shipments were essentially flat. The favorable impact on intersegment alumina shipments of operating more potlines at the Company's smelters during the first half of 2000 as compared to the same period in 1999 was offset by the unfavorable impact of the potline curtailments at the Company's Washington smelters in the last half of 2000. Intersegment shipments for 2000 included approximately 55,000 tons of alumina purchased by KACC from third-parties and transferred to the Primary aluminum business unit.